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SUBJECT: BOLIVIA: WHAT LIES AHEAD IN A SECOND MORALES TERM

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REASON: 1.4(B), (D)

11. (C) Summary: With a sweeping victory increasingly likely for Bolivian President Evo Morales and his MAS party in December 6 elections, the political focus in Bolivia has already shifted to how Morales will approach his next five years in office. Morales's outreach to opposition voters and (relative) restraint toward the U.S. during the presidential campaign raises hopes that he could adopt a more moderate course. His long campaign to "refund" the country on socialist and anti-imperialist principles, as well as his close ties to Venezuela, argues otherwise, however, and Morales could well use his greatly enhanced powers to accelerate further radical political and economic reform. Our assessment at this point is that Morales, for all his apparent strength, will remain constrained by the Bolivian public's limited appetite for more socialism and that he is likely to approach his second term as a period of consolidation rather than radicalization. End summary.

Goals Met, Time for Consolidation and Expanding the Base?

12. (C) Evo Morales can claim, with some justification, that he has succeeded in achieving most of his ambitious political agenda for his first four years in office. He has won approval for a new constitution that redefines Bolivia according to his statist, pro-indigenous vision, nationalized the gas and other industries, defended the interests of his coca-growing base, out-maneuvered regional separatist movements, and taken on the U.S. "empire" through a close alliance with Venezuelan President Hugo Chavez and by expelling our ambassador and DEA. Now, having won in the past year a recall vote, a popular referendum on his constitution and -- almost certainly -- re-election by a wide margin over his nearest opponent, Morales will enter his second term at the height of his political popularity and power, but with his principal goals mostly already realized.

13. (C) Throughout this year's electoral campaign, Morales has shown he recognizes the value of reaching beyond his party's base of cocaleros, the indigenous, the working class and leftist voters (admittedly a large, if diverse, group). Insisting that he wants to be regarded as the president of "all Bolivians," Morales has reached out to moderate Bolivians, including more centrist and independent figures on his candidate lists, such as former human rights ombudsman Ana Maria Romero as his apparent choice for Senate president. Romero told us how she was "struck" by President Morales's emphasis in his speeches in indigenous areas on the need for poor and indigenous persons to work with the middle class. She said Morales understands he needs the skills possessed by the middle class to achieve changes in Bolivian society and that he

makes this point to indigenous audiences. Romero stressed that she would not be running for Senate if she didn't believe Morales was sincere in his desire to broaden his reach. In Bolivia's major cities, Morales has participated in dinners with normally pro-opposition business leaders, making a sustained effort to seek their support. Despite great skepticism, he appears to be making some headway with these groups, particularly those who conclude that, like it or not, Morales and his government are here to stay.

¶4. (C) In this, Morales is almost certainly motivated in part by a desire to make inroads into the opposition's electorate and rack up the numerically greatest victory possible. This approach may also apply to his long-term thinking, having expressed many times his determination that the MAS will rule for decades. Morales's forays into middle-class territory and his campaign efforts in traditionally hostile areas such as Santa Cruz are aimed at taking advantage of a demoralized and divided opposition. With polling consistently showing his support above 50 percent (far ahead of all rivals) and already close to a two-thirds majority in parliament, Morales, strictly speaking, doesn't need these extra votes -- except to either run up a historically large margin in this one contest or lay the foundation for a broader national base. Morales' post-election course will be determined by whether he is motivated more by the latter or the former.

¶5. (C) Although Morales's enthusiasm for attacks on "imperialists" and "neoliberals" hasn't waned, a certain measure of pragmatism has also been evident in his pre-electoral foreign policy. Contrary to the expectations of many, Morales has avoided making relations with the United States a campaign issue, limiting himself to worn (however vitriolic) rhetoric. He reacted calmly to September's CN decertification decision, which could have served as a flashpoint for an anti-American campaign. Morales -- during the election campaign -- has also backed those in his government pressing for a bilateral framework agreement to help get U.S. -Bolivian relations back on track. Vice Minister of Social Defense Felipe Caceres commented to Charge that while "certain ministers" feed Morales disinformation about USG activities to advance their own ideological and personal interests, he believed Morales would remove such radical ministers after the election and move in a more "pragmatic" direction.

Or Will Morales Go (More) Radical?

¶6. (C) Against these signs of possible moderation, however, there remain concerns that Morales, once re-elected, will use his enhanced political power to advance an even more radical agenda, free of any institutional checks on his authority. We can expect Venezuelan President Chavez to encourage him to move in this direction. Ominously, Morales declared recently that his principal opponent -- opposition candidate Manfred Reyes Villa, facing longstanding corruption charges -- will likely find himself in jail following the elections. In the worst case scenario, Morales would use a two-thirds parliamentary majority to amend the constitution at will, granting him sweeping powers to oppress the opposition and civil society, extend his own rule, and further expand state control of the economy.

¶7. (C) Such fears underestimate the real limits to Morales's power, however, even as he stands to dominate the political landscape of Bolivia as never before. The new constitution can be amended with a two-thirds majority, but amendments must also be approved by popular referenda, meaning that measures such as ending term limits might pass, but more authoritarian revisions would face greater opposition from the public. Moreover, Morales cannot necessarily count on all members of his parliamentary delegations to back him on extreme measures, especially with significant numbers of more centrist members in the next congress.

¶8. (C) There is cause to be skeptical that Morales will pursue radical policies in the economic arena, as well. The Morales government's programs and nationalizations to date have proved popular, but huge numbers of Morales's indigenous base are small-time entrepreneurs, traders, and business owners, whose enthusiasm for socialism is limited. Moreover, Morales appears to recognize that his grandiose plans to industrialize Bolivia will require a healthy banking sector, access to international credit

and at least some foreign investment, and that he cannot undertake radical economic measures without causing Bolivia's economic isolation. Entrepreneur Fernando Campero told us that while he still found the MAS to be authoritarian, intolerant, and excessively centered on Morales, he believed the next administration would follow a pragmatic course. He noted that Morales recently sought a meeting with him for the first time in four years to discuss economic policy and institution building. Alone with Campero, Morales took extensive notes and seemed more interested in reaching out than in radical change. A complex regional economic climate -- as well as entrenched popular fears of instability rooted in Bolivia's hyper-inflationary past -- will also act as a constraint on Morales's economic plans.

#### Securing Gains Top Priority for Second Term

¶9. (C) The most likely scenario for the next Morales government is that it will be marked by consolidation rather than radicalization. Having accomplished most of what he set out to achieve in his first term, Morales has offered the message that this year's election is about securing the gains of the past few years. In a recent interview, Vice President Garcia Linera (a hard-line leftist ideologue) maintained that the days of "high conflict" with the opposition are over, pledging that the government will use its next term to consolidate its "historic" achievements. The MAS party's campaign platform proposes scores of new investments in infrastructure, education, health and other government services, a "great leap forward" ("gran salto") in industrialization (including development of lithium reserves and a Chinese-launched satellite), but mostly more of the same. Radical MAS Senator Antonio Peredo affirmed this direction, saying the first MAS government had

created the agenda that the next government would follow, one focused on infrastructure, education, and health to promote economic development and stifle "destructive regionalism."

¶10. (C) We can expect additional nationalizations, in the electricity sector and perhaps in telecommunications as well, but these will likely be limited to rolling back the capitalization program of the first Sanchez de Lozada government. Public works and social programs will be expanded (provided sufficient state gas revenue) and land reform/redistribution may accelerate, but otherwise the next Morales government is likely to operate within the existing policy framework. Former Morales Production Minister and MAS Senate candidate Javier Hurtado dismissed GOB plans to operate productive businesses, predicting these would be quickly forgotten after the elections. Caceres said many MAS rank-and-file recognize the need for more private, including foreign, investment, and are skeptical about further "socialist" measures in respect to the economy.

¶11. (C) On counter-narcotics, international pressure and engagement will continue to be critical to sustaining GOB interdiction and eradication and to reversing the recent growth in coca production. Caceres has told us that the GOB understands that it must begin to reduce coca cultivation, including through forced eradication, but, left on its own, Bolivia's complicated coca politics would make this unlikely to happen. Still, we expect that the next Morales government will move to raise the legal limits on production, but probably well below current actual levels. In addition to concerns about Bolivia being labeled a narco-state and the impact of narcotics trafficking on public safety, Morales has to contend with a Bolivian public worried -- according to recent polls -- about ineffective GOB management of the legal coca trade.

¶12. (C) Morales will certainly continue to pursue a foreign policy that emphasizes solidarity with Chavez and other ALBA allies and the Bolivian president's world view -- in which the U.S. poses a constant economic and even military threat to Latin America -- is unlikely to change. We expect any improvements in U.S.-Bolivian relations to be incremental (hopefully advanced by conclusion of a bilateral accord following the elections), but we also see no obvious reason that relations should get worse, barring a dramatic worsening of the human rights situation here. Morales's approach in the second half of this year suggests that he remains deeply suspicious of us, but recognizes the value of at least correct relations with the United States. Brazil, Argentina and Chile will continue to urge Morales to seek better relations with the U.S.,

especially if more conservative leaders are elected in those countries over the next two years. There are also evident limits to the domestic political value of anti-American rhetoric, to the point where Bolivian officials have suggested that improved bilateral relations are seen as a net plus (both with centrist voters and others who believe the attacks have gone too far).

#### Consolidation, Rather than Radicalization

¶13. (C) Morales remains unpredictable, but for the most part he has adhered to a defined and transparent political agenda. Looking ahead to his second term, we believe radicalization (dramatic expansion of powers, crackdown on civil society and accelerated, sweeping nationalization) is possible but not likely. Rather, we expect that Morales will attempt to demonstrate that he is serious about broadening his support to include the middle class, at least in the short term, and that he will not undertake radical domestic policies that could provoke Bolivia's international isolation.  
Creamer